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LIVINGSTON PARISH
GRAVITY DRAINAGE DISTRICT NO. 5
WALKER, LOUISIANA

General Purpose Financial Statements
and Independent Auditor's Reports

As Of And For the Year Ended December 31, 2000
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and made available to public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-15-01

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Walker, Louisiana

Annual Financial Statements with Independent Auditor's Report
For the Year Ended December 31, 2000

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Gravity Drainage District No. 5
of Livingston Parish
Walker, Louisiana

I have audited the accompanying component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2000, as listed in the Table of Contents. These financial statements are the responsibility of Livingston Parish Gravity Drainage District No. 5's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Legislative Auditor. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gravity Drainage District No. 5, as of December 31, 2000, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 22, 2001, on my consideration of Gravity Drainage District No. 5's internal control structure and a report dated June 22, 2001, on its compliance with laws and regulations.

My audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information and schedule listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Gravity Drainage District No. 5 of Livingston Parish, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements, and, in my opinion, the information is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Leroy J. Chustz

Leroy J. Chustz
Certified Public Accountant, APAC
June 22, 2001

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Gravity Drainage District No. 5
of Livingston Parish
Walker, Louisiana

I have audited the financial statements of Gravity Drainage District No. 5 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2000, and have issued my report thereon dated June 22, 2001. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 5's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered Gravity Drainage District No. 5's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of Gravity Drainage District No. 5's management, pass-through entities, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Leroy J. Chustz
Leroy J. Chustz
Certified Public Accountant, APAC
June 22, 2001

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Walker, Louisiana

BALANCE SHEET
December 31, 2000

	<u>GENERAL FUND</u>	<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>	<u>GENERAL LONG-TERM DEBT ACCOUNT GROUP</u>	<u>TOTAL (MEMO ONLY)</u>
ASSETS				
Cash and Cash Equivalents - Note 3	216,198.16	-	-	216,198.16
Investment in Certificate of Deposit - Note 3	62,042.73	-	-	62,042.73
Receivables - Note 4	44,766.07	-	-	44,766.07
Deposits	878.83	-	-	878.83
Land and Building - Note 2	-	63,777.75	-	63,777.75
Machinery and Equipment - Note 2	-	461,084.46	-	461,084.46
Furniture - Note 2	-	727.53	-	727.53
Amount to be provided for Retirement of General Long-Term Debt	<u>-</u>	<u>-</u>	<u>9,434.75</u>	<u>9,434.75</u>
Total Assets	<u>323,885.79</u>	<u>525,589.74</u>	<u>9,434.75</u>	<u>858,910.28</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts Payable	3,706.72	-	-	3,706.72
Payroll Taxes Payable	4,679.04	-	-	4,679.04
Obligations under Capital Lease - Note 7	<u>-</u>	<u>-</u>	<u>9,434.75</u>	<u>9,434.75</u>
Total Liabilities	<u>8,385.76</u>	<u>-</u>	<u>9,434.75</u>	<u>17,820.51</u>
Fund Equity:				
Investment in General Fixed Assets - Note 2	-	525,589.74	-	525,589.74
Fund Balance - Unreserved Undesignated	<u>315,500.03</u>	<u>-</u>	<u>-</u>	<u>315,500.03</u>
Total Fund Equity	<u>315,500.03</u>	<u>525,589.74</u>	<u>-0-</u>	<u>841,089.77</u>
Total Liabilities and Fund Equity	<u>323,885.79</u>	<u>525,589.74</u>	<u>9,434.75</u>	<u>858,910.28</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Walker, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES - GENERAL FUND
For the Year Ended December 31, 2000

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Taxes, Net of Refunds	479,800.00	479,761.35	(38.65)
Interest	3,050.00	1,804.51	(1,245.49)
Miscellaneous	<u>16,200.00</u>	<u>15,911.82</u>	<u>(288.18)</u>
Total Revenues	<u>499,050.00</u>	<u>497,477.68</u>	<u>(1,572.32)</u>
Expenditures:			
Current:			
General Government:			
Salaries and Wages	152,515.00	151,982.50	532.50
Board Member Per Diem	3,700.00	4,350.00	(650.00)
Payroll Tax Expense	13,000.00	11,959.43	1,040.57
Collection Costs	9,600.00	9,580.35	19.65
Fuel Expense	9,900.00	9,910.92	(10.92)
Insurance	54,000.00	42,015.64	11,984.36
Maintenance and Repairs	38,000.00	30,980.02	7,019.98
Maintenance Supplies	17,534.00	15,295.63	2,238.37
Miscellaneous	536.00	880.38	(344.38)
Office Expense	310.00	308.15	1.85
Professional Fees	4,010.00	4,010.00	0.00
Rent - Equipment	7,400.00	7,381.94	18.06
Utilities	5,180.00	5,175.41	4.59
Capital Outlay	37,500.00	37,480.68	19.32
Debt Service:			
Principal Retirement	0.00	28,793.11	(28,793.11)
Interest	<u>6,700.00</u>	<u>1,384.80</u>	<u>5,315.20</u>
Total Expenditures	<u>359,885.00</u>	<u>361,488.96</u>	<u>(1,603.96)</u>
Excess (Deficiency) of Revenues over Expenditures	139,165.00	135,988.72	(3,176.28)
Fund Balance - Beginning of Year	<u>179,511.31</u>	<u>179,511.31</u>	
Fund Balance - End of Year	<u>318,676.31</u>	<u>315,500.03</u>	

See accompanying notes to the financial statements.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Walker, Louisiana

Notes to the Financial Statements

For the Year Ended December 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gravity Drainage District No. 5 of Livingston Parish is a body corporate created by the Livingston Parish Council, as provided by Louisiana Revised Statute 38:1751. The Drainage District is governed by a board of five commissioners who are appointed by the Livingston Parish Council. The Drainage District is authorized to construct, maintain and improve the system of Gravity Drainage within Ward Seven of Livingston Parish.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB), is the standard-setting body for governmental accounting and financial reporting. On June 30, 1995, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below, and where appropriate, subsequent pronouncements will be referenced.

A. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Gravity Drainage District's Board of Commissioners. Control by or dependence on the Board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibilities.

In conformance with the GASB Statement No. 14, the Drainage District is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the funds and account groups maintained by the Drainage District and do not present information on the Council and the general government services provided by that governmental unit.

B. Fund Accounting

The accounts of the Gravity Drainage District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. At this time the Gravity Drainage District maintains only a general fund, and account groups entitled General Fixed Assets Account Group and General Long-Term Debt Account Group.

The General Fund is the general operating fund of the Gravity Drainage District. It is used to account for all financial resources except those that would be required to be accounted for in another fund.

C. *Fixed Assets and Long-Term Liabilities*

The fixed assets used in the governmental fund type operations of the Drainage District are accounted for in the General Fixed Assets Account Group, rather than in the Governmental funds. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group and not in the governmental fund type operations.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

D. *Basis of Accounting*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchase of various operating supplies are regarded as expenditures at the time purchased.

E. *Budgets*

Louisiana Local Government Budget Act, LSA-R.S. 39:1301-15, requires all governmental entities to prepare a comprehensive budget presenting a complete financial plan for the ensuing year. The Drainage District adopts an annual budget based on anticipated revenues consistent with generally accepted accounting principles. Annual appropriations of funds are not made. Budgetary accounts are not integrated in the formal accounting system. Encumbrance accounting is not followed because of the small number of transactions involved.

F. *Encumbrances*

The District does not use the encumbrance method of accounting.

G. *Investments*

Investments are certificates of deposit with maturities greater than 90 days when purchased. They are stated at cost which approximates market value.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Notes to the Financial Statements, Continued
December 31, 2000

H. Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers Certificates of Deposit, Treasury Bills, and Money Market Funds, with a maturity of three months or less when purchased, to be cash equivalents.

I. Inventories

Inventories in the governmental funds are considered immaterial and the expenditures are recognized when the items are purchased.

J. Compensated Absences

The District has the following policy relating to earning vacation leave:

10 Days After	1 Year of Employment
15 Days After	8 Years of Employment
20 Days After	18 Years of Employment

The Drainage District has the following policy relating to earning sick leave:

5 Days After	1 Year of Employment
10 Days After	2 Years of Employment
15 Days After	10 Years of Employment

An employee may not carry over or borrow vacation or sick leave.

K. Sales Taxes

In May, 1985, the voters passed a sales tax in which the District receives ½ of 1% upon the sale at retail, the use, the lease or rental, the consumption, and storage for use or consumption, of tangible personal property and on the sales of services in the District, as defined in L.R.S. 47:301 through 47:317, inclusive, for a period of 10 years from the date of first levy of said tax. In 1995, the District went before the voters and received a 10-year renewal of said tax to September, 2005.

L. Total Column on Statements - Overview

The total columns on the statements - overview are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations, in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Notes to the Financial Statements, Continued
December 31, 2000

2. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>LAND AND BUILDING</u>	<u>FURNITURE AND FIXTURES</u>	<u>MACHINERY AND EQUIPMENT</u>	<u>TOTAL</u>
Balance -				
December 31, 1999	\$63,777.75	\$ 240.61	\$430,390.70	\$494,409.06
Additions	-0-	486.92	30,693.76	31,180.68
Reductions	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Balance -				
December 31, 2000	<u>\$ 63,777.75</u>	<u>\$ 727.53</u>	<u>\$461,084.46</u>	<u>\$525,589.74</u>

3. CASH AND INVESTMENTS

Under State Law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agent, the District had cash and investments totaling \$283,248.01, and a carrying value of \$278,240.89 at December 31, 2000. Cash and investments are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are to be held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved. The following is a summary of cash and investments at December 31, 2000, with the related federal deposit insurance and pledged securities, if any:

	<u>BANK BALANCE DECEMBER 31, 2000</u>	<u>FDIC INSURANCE</u>	<u>SECURITIES PLEGDED</u>	<u>BALANCE UNSECURED</u>
Cash and Cash Equivalents	\$221,205.28	\$100,000.00	\$121,205.28	-0-
Investments - Time Certificate of Deposit (Maturity Greater than 90 Days)	<u>62,042.73</u>	<u>-0-</u>	<u>30,265.15</u>	<u>31,777.58</u>
Total	<u>\$283,248.01</u>	<u>\$ 100,000.00</u>	<u>\$151,470.43</u>	<u>\$ 31,777.58</u>

The bank balance which is considered uninsured at December 31, 2000, is collateralized by pledged securities with an estimated market value of approximately \$152,239.76.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Notes to the Financial Statements, Continued
December 31, 2000

4. RECEIVABLES

A summary of Receivables as of December 31, 2000, follows:

<u>CLASS OF RECEIVABLE</u>	<u>GENERAL</u>
Taxes - Sales Tax	\$43,557.45
Interest - Accrued Interest	<u>1,208.62</u>
	<u>\$ 44,766.07</u>

Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. If they are subsequently collected, they are recorded as miscellaneous income.

The direct charge-off method is not a material departure from GAAP as it approximates the valuation method.

5. PENSION PLAN AND RETIREMENT COMMITMENTS

The District does not have a pension plan.

6. POST-RETIREMENT BENEFITS

The District does not offer any post-retirement benefits.

7. LEASES

A. Obligation Under Capital Lease

The District has an obligation under a capital lease of the following nature:

Deere Credit, Inc.:

1996 lease agreement for financing the acquisition of a John Deere 690E Excavator. This lease includes a non-appropriation of funds clause but is in substance a capital lease and therefore has been recorded at the present value of the future minimum lease payments as of the date of inception in the General Long-Term Debt Account Group.

\$ 46,228.00

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Notes to the Financial Statements, Continued
December 31, 2000

The following is a summary of future minimum lease payments under the capital lease and present value of the net minimum lease payments as of December 31, 2000.

<u>YEAR ENDED DECEMBER 31,</u>	<u>TOTAL PAYMENTS</u>
2001	<u>\$ 9,548.08</u>
Total Minimum Lease Payments	9,434.75
Less: Amount Representing Interest	<u>113.33</u>
Present Value of Net Minimum Lease Payments	<u>\$ 9,548.08</u>

8. LITIGATION

According to legal council, there is one suit involving the purchase of equipment. A judgement has been rendered against the District in the amount of \$17,000.00; however, the District has filed an appeal.

SUPPLEMENTAL INFORMATION

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5
Walker, Louisiana

Schedule of Per Diem Paid Board Members
For the Year Ended December 31, 2000

	<u>Meetings Attended</u>	<u>Compensation</u>
Hall, Lester	4	375.00
Harris, Richard	12	1,125.00
Killcrease, Preston	12	1,125.00
Dunlap, Jimmy	8	750.00
Ramsey Huffman	10	975.00
		<u>\$ 4,350.00</u>

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2000

I have audited the financial statements of Gravity Drainage District No. 5, as of and for the year ended December 31, 2000, and have issued our report thereon dated June 22, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2000, resulted in an unqualified opinion.

Section I Summary of Auditor's Results

YES NO N/A

Financial Statements

Internal control over financial reporting:

Material weakness(es) X

Reportable condition(s) X

Noncompliance material to the financial statements X

Federal Awards

Internal control over major programs:

Material weakness(es) identified X

Reportable condition(s) identified X

Type of auditor's report on compliance for major programs X

Any findings required to be reported by Section 510(a) of Circular A-133 X

Identification of Major Programs:

CFDA Number(s) Name of Federal Program (or Cluster)

Not applicable

Dollar threshold used to distinguish between Type A and Type B Programs: \$ N/A

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No ☐ N/A

Section II Financial Statement Findings

Current Year Findings

FINDING 2000-1

The District failed to monitor and require the fiscal bank to fully collateralize the funds on deposit. At December 31, 2000 deposits totaled \$283,248.01. The bank pledged \$151,470.43 plus FDIC coverage of \$100,000 for a total of \$251,470.43, which left a balance of \$31,777.58 uncollateralized.

RECOMMENDATION:

The District should monitor the adequacy of the collateral each month. (See Managements's Corrective Action Plan)

Prior Year Findings

No findings to report.

Section III Federal Award Findings and Questioned Costs

No findings to report.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2000

Section I-Internal Control and Compliance Material to the Financial Statements:

See management's corrective action plan.

Section II-Internal Control and Compliance Material to Federal Awards:

No findings reported.

Section III-Management Letter:

No findings reported.

LIVINGSTON PARISH GRAVITY DRAINAGE DISTRICT NO. 5

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended December 31, 2000

SECTION I-Internal Control and Compliance Material to the Financial Statements:

No findings reported.

SECTION II-Internal Control and Compliance Material to the Federal Awards:

No findings reported.

SECTION III-Management Letter:

No findings reported.

Gravity Drainage District #5
P. O. Box 328
Walker, La 70785

June 27, 2001

Mr. Roy Chustz
P. O. Box 158
Denham Springs, La 70726

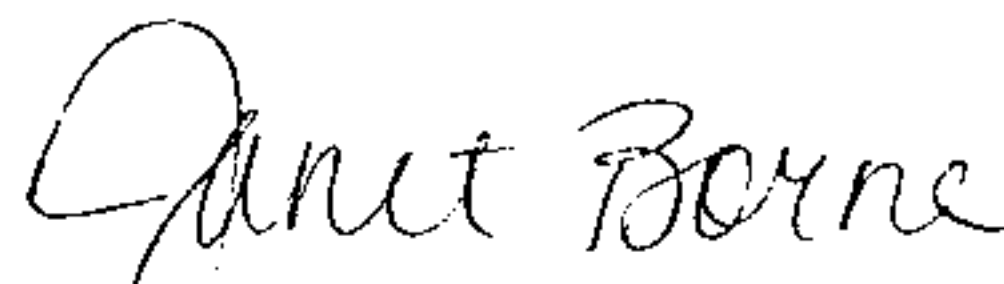
RE: Management Corrective Action Plan
Audit Finding #2000-01

Dear Mr. Chustz:

In response to audit finding #2000-01, the Gravity Drainage District Board assures you that in the future that the pledge collateral activity report will be reviewed monthly. In the event the pledged amount falls below the bank account balances, the bank will be notified immediately for corrective action.

As always, the board appreciates your efforts and suggestions in helping to meet audit compliance requirements.

Sincerely,



Janet Borne

GRAVITY DRAINAGE DISTRICT #5

/jfb